

Message Text

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PAGE 01 CARACA 05045 142212Z

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SUBJ: PRESIDENT'S ADDRESS TO FEDECAMARAS

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BEGIN SUMMARY. PRESIDENT PEREZ' ADDRESS TO THE CLOSING SESSION OF THE ANNUAL FEDECAMARAS CONVENTION WAS CONCILIATORY. BOTH HE AND FEDECAMARAS AVOIDED A CONFRONTATION OVER OUTSTANDING ISSUES BETWEEN THE GOVT AND THE PRIVATE BUSINESS SECTOR. PEREZ' COMMENTS ON PETROLEUM ARE REPORTED SEPARATELY IN REF. EAND SUMMARY

1. PRESIDENT CARLOS ANDRES PEREZ DELIVERED THE CLOSING ADDRESS TO THE ANNUAL CONVENTION OF THE VENEZUELAN FEDERATION OF CHAMBERS OF COMMERCE (FEDECAMARAS) ON MAY 9. THE PRESIDENT ATTEMPTED TO DEFINE GOVT POLICY TOWARDS THE PRIVATE BUSINESS SECTOR IN THE CONTEXT OF VENEZUELA'S CONSTITUTION AND HIS GOVTS PRIORITIES FOR ECONOMIC AND SOCIAL DEVELOPMENT. ACCORDING TO PRESIDENT PEREZ, THE CENTRAL AND IRREVOCABLE OBJECTIVE OF HIS GOVT IS "TO CONSTRUCT A DEMOCRACY WITH ECONOMIC AND SOCIAL CONTENT." HE LISTED THREE PRINCIPAL GOALS: 1) RECOVERY OF NATURAL RESOURCES 2) LATIN AMERICAN INTEGRATION (WITHIN A THIRD WORLD CONTEXT), AND 3) A BETTER DISTRIBUTION OF NATIONAL INCOME. THE LIMITED OFFICIAL USE

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PAGE 02 CARACA 05045 142212Z

PRESIDENT EMPHASIZED THAT PRIVATE INITIATIVE HAS AN ESSENTIAL

FUNCTION IN ATTAINING THESE GOALS.

2. THE GOVT, PEREZ SAID, WOULD STIMULATE PRIVATE BUSINESS ACTIVITIES WITH TOTAL SINCERITY. HE EMPHASIZED, HOWEVER, THAT UNEMPLOYMENT AND SUBEMPLOYMENT MUST BE ERADICATED. THE PRESIDENT CITED THE HISTORIC OPPORTUNITY WHICH VENEZUELA HAS AT THE PRESENT TIME TO ATTAIN ITS OBJECTIVES, EVEN IN THE MIDST OF A WORLD CRISIS IN WHICH THE OLD ECONOMIC ORDER IS CRUMBLING. HE SAID PARENTHETICALLY THAT THE COLLAPSE OF THE OLD WORLD ORDER WAS CAUSED BY EGOTISM AND THE UNJUST EXPLOITATION WHICH THE INDUSTRIALIZED COUNTRIES HAVE PRACTICED AT THE EXPENSE OF THE DEVELOPING NATIONS.

3. THE PRESIDENT DREW A PARALLEL BETWEEN INEQUITIES WHICH EXIST AT THE INTERNATIONAL LEVEL AND THOSE WHICH ARE PRESENT IN VENEZUELA. HE EMPHASIZED THAT THE SYSTEM AND ECONOMIC RELATIONSHIPS MUST BE QUESTIONED. PEREZ SAID THAT HE EXPECTS AND HAS CONFIDENCE THAT THE PRIVATE SECTOR WILL COMPREHEND THE NEED FOR CHANGE AND WILL COOPERATE FULLY WITH THE GOVTS EFFORTS TO INCORPORATE ALL ELEMENTS OF THE VENEZUELAN POPULATION INTO THE ECONOMIC SYSTEM. ACCORDING TO PRESIDENT PEREZ, " THE SUPPRESSION OF FREE ENTERPRISE IS FAR REMOVED FROM THE INTENTIONS AND PLANS OF THE STATE." THE PRESIDENT OUTLINED THE ROLE OF THE STATE AND PRIVATE ENTERPRISE WITH RESPECT TO SPECIFIC INDUSTRIES, BUT IN VERY GENERAL TERMS. HE LISTED FIVE INDUSTRIES AS ESSENTIAL TO THE DEVELOPMENT PLANS OF THE STATE - STEEL PETROCHEMICALS SHIP BUILDING AERONAUTICS AND AUTOMOBILES. BASIC STEEL AND PETROCHEMICAL PRODUCTION WOULD BE RESERVED TO THE STATE, BUT OTHER SECTIONS OF THESE INDUSTRIES AND THE OTHER INDUSTRIES NAMED WOULD BE OPEN TO VARIOUS TYPES OF MIXED OR EXCLUSIVELY PRIVATE PARTICIPATION.

4. THE PRESIDENT RECOGNIZED THAT A REAL INCREASE IN WEALTH IN VENEZUELA MUST BE FOUNDED ON AN INCREASE IN PRODUCTIN. OTHERWISE, HE SAID, THE INCREASE IN INCOMES WOULD BE TRANSFORMED INTO INFLATION OR INCREASED IMPORTS. THE PRESIDENT SAID THAT HIS GOVT HAD AVOIDED DECREEEING A SECOND INCREASE IN WAGES SIMILAR TO THE 25 PERCENT INCREASE GRANTED LAST YEAR BECAUSE SUCH A MEASURE WOULD RESULT IN INCREASED INFLATION. HE JUSTIFIED THE RECENT DECREE REQUIRING FIRMS TO INCREASE THE NUMBER OF THEIR EMPLOYEES BY 5 PERCENT ON GROUNDS THAT VENEZUELA IS LIMITED OFFICIAL USE

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PAGE 03 CARACA 05045 142212Z

FACING A LARGE EXPANSION IN PROGRAMMED PRODUCTION. THEREFORE, THE ADDITIONAL WORK FORCE WILL BE REQUIRED IN ANY EVENT AND THE INCREASE DECREED BY THE GOVT WILL CONTRIBUTE TO SOCIAL JUSTICE.

5. THE PRESIDENT REVIEWED THE LARGE CONTRIBUTION THE STATE MAKES TO PRIVATE BUSINESS IN THE FORM OF FINANCIAL SUPPORT AND OTHER INCENTIVES. HE SAID THAT A THOROUGH REFORM OF THE NATION'S

FINANCIAL SYSTEM IS NECESSARY IN ORDER TO STIMULATE DEVELOPMENT. IN THIS CONNECTION, PEREZ SAID A REVISED BANKING LAW AND OTHER FINANCIAL LAWS WILL BE ANNOUNCED IN THE NEAR FUTURE. HE ALSO REFERRED TO A COMPREHENSIVE PROPOSAL FOR TAX REFORM WHICH THE GOVT WILL PRESENT TO THE CONGRESS IN ORDER TO STIMULATE INTERNAL SAVINGS TO FINANCE ALL GOVT CURRENT EXPENDITURES AND TO REDISTRIBUTE INCOME. THE PRESIDENT CLOSED BY ASSERTING THAT DIFFERENCES BETWEEN THE PRIVATE AND PUBLIC SECTORS ARE NOT INSOLUBLE, THE GOVT DOES NOT WISH TO INTIMIDATE THE PRIVATE SECTOR, MUCH LESS INTERFERE WITH THE PRODUCTIVE EFFORT ESSENTIAL FOR VENEZUELA'S PROGRESS.

6. COMMENT. THE PRESIDENT'S REMARKS TO FEDECAMARAS WERE CONCILIATORY AND CLEARLY MEANT TO AVOID THE POSSIBILITY OF A CONFRONTATION WITH THE PRIVATE BUSINESS SECTOR. SUCH A CONFRONTATION HAD BEEN PREDICTED BY SOME OBSERVERS AS A RESULT OF GOVT STATEMENTS AT THE RECENT VENEZUELAN WORKERS' CONGRESS. IT WAS OBVIOUS THAT FEDECAMARAS ALSO WISHED TO AVOID CLASHING WITH PRESIDENT PERZ OVER OUTSTANDING ISSUES. THIS BECAME APPARENT FROM THE TONE AND CONTENT OF THE ADDRESS OF ANTONIO JOSE DIAZ MARTINEZ, THE NEW PRESIDENT OF FEDECAMARAS. DIAZ MARTINEZ CALLED FOR A POLICY OF DEVELOPING A CLIMATE OF UNDERSTANDING WITH ALL SECTORS OF THE NATION- POLITICAL, LABOR, UNIVERSITY AND MILITARY- TO CONTRIBUTE TO A NATIONAL CONSENSUS. ALFREDO PAUL DELFINO, OUTGOING PRESIDENT OF FEDECAMARAS AND STRONG CRITIC OF THE GOVT WAS CONSPICUOUSLY ABSENT FROM THE FINAL FEDECAMARAS MEETING. IN A PRIVATE CONVERSATION WITH EMBASSY OFFICIAL, DIAZ MARTINEZ WAS CHARACTERIZED BY THE SECRETARY GENERAL OF AD AS A MUCH LESS DIFFICULT, MORE CONCILIATORY AND COOPERATIVE INDIVIDUAL THAN HIS PREDECESSOR. THE SECRETARY GENERAL WAS CONFIDENT THAT THIS WOULD SOLVE A NUMBER OF FEDECAMARAS' GOVT PROBLEMS.

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PAGE 04 CARACA 05045 142212Z

7. AS THE PRESIDENT POINTED OUT, THE BUSINESS SECTOR HAS BENEFITTED GREATLY FROM GOVT CREDITS AND OTHER INCENTIVES TO BUSINESSMEN AND FROM THE CLIMATE OF GNERAL PROSPERITY. THE BUSINESS SECTOR ABSORBED THE WAGE INTREASES DECREED LAST YEAR WITH RELATIVE EASE AND WILL PROBABLY HAVE NO GREAT DIFFCULTY IN INCREASING EMPLOYMENT BY 5 PERCENT IN AN EXPANDING ECONOMY. THE MOST IMPORTANT TEST WILL PROBABLY COME, HOWEVER, WHEN THE GOVT MAKES KNOWN ITS PROPOSALS FOR REFORMING VENEZUELA'S TAX SYSTEM. A SERIOUS ATTEMPT TO USE TAX REFORM AS AN INSTRUMENT FOR A SIGNIFICANT REDISTRIBUTION OF INCOME IS APT TO MEET WITH STRONG OPPOSITION FROM THE BUSINESS SECTOR.

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